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Fund of the United Nations International Drug Control Programme Revised programme budget and performance report for the biennium 1994-1995 and proposed budget for the biennium 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

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INTRODUCTION

1. Pursuant to paragraph 3 of General Assembly resolution 46/185 C, section XVI, of 20 December 1991, the Advisory Committee on Administrative and Budgetary Questions considered the report of the Executive Director of the United Nations International Drug Control Programme (UNDCP) on the proposed final budget and performance report for the biennium 1994-1995 for the Fund of the United Nations International Drug Control Programme and the proposed initial budget for the biennium 1996-1997 for the Fund and programme support cost (E/CN.7/1995/21). The Committee also had before it a compendium of ongoing projects during the bienniums 1994-1995 and 1996-1997 (E/CN.7/1995/21/Add.1). During its consideration of the documents, the Committee met with representatives of the Executive Director, who provided additional information.

2. As indicated in paragraph 11 of the report of the Executive Director, for the biennium 1996-1997, UNDCP is funded from the regular budget of the United Nations (Section 14)[1] and from extrabudgetary resources, comprising the budget of the Fund of UNDCP and the budget for programme support costs. The regular budget covers normative functions connected with the international drug control treaties, including the provision of secretariat services to the International Narcotics Control Board and the Commission on Narcotic Drugs and activities designed to promote adherence to the treaties and the inclusion of relevant provisions in national legislation.[2] The Fund of UNDCP, established by the General Assembly in its resolution 46/185, finances operational activities from voluntary contributions mainly in developing countries to assist them in meeting their obligations to implement provisions of the treaties.

A. Budget format and presentation

3. The Committee welcomed the improvements made in the presentation of the proposed budget for the Fund of UNDCP, particularly the efforts made to provide a model for the integrated presentation of activities funded from extrabudgetary resources and those funded from the regular budget of the United Nations. The Committee noted the introduction of estimates of programme support costs for UNDCP within the framework of the budget presentation of the Fund of UNDCP for the biennium 1996-1997. The Committee commended the Executive Director for the efforts made to comply with the comments and observations made in its prior reports. None the less, the Committee believed that a number of improvements could still be introduced in future budget presentations in order to streamline the budget document and make it more concise but yet transparent. In the opinion of the Committee, that could be accomplished, for instance, by eliminating lengthy descriptions of the data contained in the tables (for example, the description of data in tables 2 and 3 of the report of the Executive Director); by shortening the narratives, using standard budgetary terminology and avoiding unnecessary repetitions in various sections of the document; by consolidating some tables and eliminating others that added little information and were often potentially misleading (such as table 12 of the report of the Executive Director); and by focusing, in particular, in the performance report, on descriptions of achievements of implementation plans and successful measures to contain costs, rather than on a description of activities by field offices. Further observations of the Committee are presented below.

B. Income and expenditure projections

4. The Committee noted from paragraph 36 and table 2 of the report of the Executive Director that total estimated income amounted to $110,938,200 for the biennium 1996-1997, compared to estimates of $134,217,700 for the biennium 1994-1995, or a 17.3 per cent decline in income. Income sources for the Fund of UNDCP comprised general-purpose funds and special-purpose funds that were either "hard-earmarked" (based on specific project agreements between UNDCP and donor countries), or "soft-earmarked" (for thematic and geographical priorities in accordance with general guidelines provided by the donor countries). The Committee noted the continued reduction in the income of the Fund as well as its continued

dependence on contributions from a relatively small number of donor countries, mainly for earmarked activities (see, for example, table 2, where special-purpose funds accounted for 72.8 per cent of income in the biennium 1994-1995 and for 69.2 per cent in the biennium 1996-1997). In the view of the Committee, such income trends, combined with the highly tied assistance to the Fund, limited the flexibility at the disposal of the Executive Director in planning and implementing the programme activities of UNDCP.

5. As shown in table 2, total expenditures were projected at $149,117,900 for the biennium 1996-1997, compared to estimated expenditures of $148,712,300 for the biennium 1994-1995. The Committee noted that in order to maintain that level of expenditure during the biennium 1996-1997, the Executive Director planned to reduce the accumulated unspent fund balance from $69,224,300 on 1 January 1994 to $54,425,200 on 31 December 1995, and to $15,907,600 on 31 December 1997. In the light of the accelerated programme implementation during past bienniums, the Committee cautioned the Executive Director that, in order to align income and expenditure and avoid a possible total depletion of accumulated cash balances, programme delivery must be accompanied by renewed vigorous efforts in fund-raising, as well as a long-term strategy to provide UNDCP with less volatile sources of funding.

6. The Committee noted that, in accordance with administrative instruction ST/AI/284 on general trust funds, the Executive Director proposed to maintain an operating reserve of 15 per cent of the projected annual expenditure in order to protect the programme against unforeseen shortfalls and to meet final expenditures, including liquidating liabilities. As shown in table 2, the operating reserve would decrease from $11,255,900 on 31 December 1995 to $11,183,800 on 31 December 1997.

I. REVISED BUDGET AND PERFORMANCE REPORT FOR THE BIENNIUM 1994-1995

7. As indicated in paragraph 80 and table 4 of the report of the Executive Director, the revised budget for the biennium 1994-1995 amounted to $188,923,100, comprising administrative costs of $15,063,700 at headquarters, $15,021,500 in the field offices and $158,837,900 budgeted for projects, including agency support costs and programme support costs for UNDCP-executed projects charged directly to the project budgets.

8. The Committee noted from paragraphs 85, 106 and 132 that, for the biennium 1994-1995, the Executive Director anticipated administrative expenditures of $15,096,300 at headquarters, $15,108,800 in the field offices and $118,507,200 for projects. Estimated project expenditures included $5,469,300 to be paid as agency support costs to United Nations agencies and to intergovernmental and non-governmental organizations (see table 6 of annex I to the report of the Executive Director).

9. The Committee noted from paragraphs 33 and 51 that, during the biennium 1994-1995, UNDCP realized an estimated $4,099,600 as support cost income. That sum was derived from support cost charges to projects for execution by UNDCP itself and by UNDCP in cooperation with the United Nations Office of Project Services (UNOPS) and the United Nations Industrial Development Organization (UNIDO) (see also table 6 of annex I to the report of the Executive Director). In the view of the Committee, support cost income generated under those arrangements was not truly additional income to UNDCP. The Committee recommended that the credits resulting from support cost arrangements be applied to the total administrative and programme support costs of UNDCP.

10. The Committee noted from paragraph 86 that "nearly 100 projects were managed exclusively by headquarters, targeted mainly towards countries where field offices" did not exist; however, in paragraph 96 the number of projects "managed exclusively by headquarters" was reported as 150. The Committee was

informed that the changing nature of project activities required increased support from headquarters. It was indicated that UNDCP activities had shifted away from large supply reduction projects to small-scale demand reduction activities involving detailed backstopping support, and that UNDCP was increasingly performing a catalytic role by injecting a drug control component into project activities funded and implemented by others.

11. Notwithstanding the explanations provided to the Committee with regard to the reasons for operating projects from headquarters, the Committee believed that there was an excessive concentration of projects at headquarters. Furthermore, the Committee noted that, as indicated in paragraphs 167 and 168 of the report of the Executive Director, although no increases in real terms had been proposed in the budget for headquarters during the last three bienniums, there had been large increases in the number of project posts at headquarters, from seven posts in 1991 to a peak of 92 posts (47 Professional and 45 General Service posts) in 1995.

12. The Committee noted from paragraph 168 that, as of 1 January 1996, the number of posts at headquarters would have been reduced to 32 (13 Professional and 19 General Service posts). In that connection, the Committee believed that further efforts should be made to rationalize the location of project posts at headquarters, since many of the activities carried out under those projects, as with some of those listed in table 7 of the annex to the report of the Executive Director, were of continuing administrative and programme support nature rather than project activities, *per se*, of limited duration.

13. With regard to changes in the network of the 18 field offices at the end of 1995, the Committee noted the closing of the regional offices in Côte d'Ivoire and Gabon and of the country office in Ecuador and the opening of regional offices in Latvia and Senegal and of a country office in Lebanon. The Committee believed that the report of the Executive Director should explain sufficiently the reasons for changes in the field office network. Upon inquiry, the Committee was informed that the criteria for establishing field offices included the level of programme resources managed by the office concerned and the presence of other agencies in the country, as well as the overall administrative cost of the field office in the country concerned, taking into account any possible accommodation provided free of charge by the host Government. The Committee recalled that in prior reports it had indicated that "the criteria for the establishment of new field offices in terms of programme delivery and operational requirements should be clearly indicated in the budget document" (E/CN.7/1993/17, para. 14).

14. In addition to the project posts at headquarters, the Committee was informed that UNDCP had maintained a small number of project posts attached to its field offices to provide law enforcement advisory services in the regions. In 1995, six such posts were located in the field offices.

15. As regards project expenditures during the biennium 1994-1995, the Committee noted from paragraph 135 of the report of the Executive Director that the projected underexpenditure estimated at $40,330,700, or 25.3 per cent of the final project budget of $158,837,900, would be particularly acute in the region of Africa (with a rate of underexpenditure estimated at 42.8 per cent). The Committee noted from paragraph 139 that the low delivery was due to a generally low level of preparedness of recipient countries. The Committee recalled that the Executive Director had previously indicated that he "was convinced that the Programme would have the necessary absorptive capacity for full programme delivery in 1994-1995, provided that the necessary project staff be recruited in a timely manner" (E/CN.7/1993/17, para. 8). In that connection, the Committee reiterated its view that the Executive Director might have to re-examine the staffing pattern at headquarters with a view to identifying functions and staff to be redeployed to field operations. It was also of the view that the Executive Director should re-examine the location of field offices and the possibility of opening new cost-effective field programme support units, taking into account the programme priorities established by the relevant intergovernmental bodies, as well as the location of field offices of the the United

Nations Development Programme (UNDP) and the possibility of common premises and common services with the network of UNDP field offices.

16. The Committee noted from paragraph 136 that the lower expenditure for project activities was mainly attributed to agency and government-executed projects. It was indicated that, in general, UNDCP-executed projects achieved a more predictable implementation rate, and that specific problems encountered with government-executed projects included the institutional weakness of government infrastructure. None the less, the Committee believed that UNDCP should elaborate a strategy to increase the number of projects to be executed by United Nations agencies, Governments and non-governmental organizations. The Committee was of the view that, in order to avoid costly duplication of administrative infrastructures, UNDCP-executed projects should be strictly limited to projects involving activities that required such a specialized knowledge that only UNDCP could provide it.

17. The Committee noted from paragraphs 81 and 134 that project activities had shifted during the biennium 1994-1995 from national to subregional approaches and to multisectoral activities. The Committee further noted from paragraphs 47, 145, and 148 that UNDCP had devoted more effort to joint activities with other United Nations organizations, and had elaborated specific multi-agency sectoral and subsectoral drug control plans of action at the global, regional and subregional level. Upon request, the Committee was provided with information on the new procedures issued in 1995 for delegation to the Directors of regional field offices in the Caribbean and in South-East Asia of the authority to elaborate and approve subregional and country-level projects not exceeding $400,000. The Committee trusted that project audit arrangements were in place, particularly for projects executed by Governments and non-governmental organizations. In that regard, the Committee recommended that arrangements be made, as in other funds and programmes of the United Nations system, to obtain the services of suitable recognized audit firms, when Governments themselves were unable to provide audited financial statements.

II. PROPOSED BUDGET FOR THE BIENNIUM 1996-1997

18. As indicated in paragraph 163 of the report of the Executive Director, the proposed budget for UNDCP funded from extrabudgetary resources for the biennium 1996-1997 amounted to $152,448,500. That figure comprised estimates of $16,650,800 for headquarters, $14,435,000 for the field office network and $121,362,700 for projects, including agency support costs.

19. The UNDCP budget financed under Section 14 of the regular budget of the United Nations for the biennium 1996-1997 amounted to $16,407,400.[1] The comments and observations of the Advisory Committee on the proposal of the Secretary-General in respect of UNDCP were contained in its first report on the proposed programme budget for the biennium 1996-1997.[3]

20. The Committee noted that, as indicated in paragraphs 163-165 of the report of the Executive Director, the budget proposal of $152,448,500 for the biennium 1996-1997 reflected a resource decrease of $48,749,300, or 25.8 per cent, as compared to the final budget for the biennium 1994-1995 of $188,923,100, after taking into account an increase for recosting of $12,274,700. In the view of the Committee, such a presentation of the budget estimates for the biennium 1996-1997 was misleading, and should be discontinued. The Committee reiterated that the methodology used for the recosting of the budget was faulty, leading to large overestimates. The Committee had indicated that "in arriving at revised estimates it did not appear that the performance experience had been taken into consideration, thus limiting the use of the document". It had also indicated, with reference to the recosting of the budget estimates for the biennium 1994-1995, that a less mechanical approach should have been used for arriving at the revised estimates, and expenditure should have been examined more in terms of actual requirements and past performance (E/CN.7/1995/18, para.7). The

Committee recommended that the budget estimates submitted by the Executive Director for the biennium 1996-1997 be considered on the basis of the expenditure estimates presented in tables 2 and 3 for that biennium.

21. With regard to the headquarters proposal, the Committee recalled that it had indicated that "it is not convinced of the need to maintain a heavy administrative infrastructure at headquarters while project delivery is reduced and trusts that the Executive Director would present detailed justification for the allocation of resources during the consideration of the budget for 1996-1997" (E/CN.7/1995/18, para. 15).

22. The Committee noted from table 10 of the report of the Executive Director that, in addition to the 73 headquarters posts (45 Professional and 28 General Service posts) proposed for the biennium 1996-1997 under the United Nations regular budget of the United Nations, the Executive Director proposed to continue to finance 71 headquarters posts (36 Professional and 35 General Service posts) from the Fund of UNDCP. The Committee recalled that in its first report on the proposed programme budget for the biennium 1996-1997, it had recommended that of the two additional posts proposed for the biennium 1996-1997 under the regular budget, only one P-3 post should be approved by the General Assembly.[4]

23. With respect to the network of field offices, the Committee welcomed the steps taken by the Executive Director, mentioned in paragraphs 236-239 of his report, to convert 10 international posts to posts of national programme officers, and to give greater attention to the role of the field establishment in programme design and management, as well as delegation of approval authority to the programme directors in the field, as mentioned in paragraph 13 above.

24. The Committee noted that in spite of the drastic reduction in resources and in programme delivery during the last two bienniums, UNDCP had continued to maintain the same level of administrative infrastructure at headquarters, a high-cost duty station. Furthermore, no post reductions at headquarters were proposed for the biennium 1996-1997, other than the reduction in project posts mentioned in paragraph 12 above.

25. As suggested in paragraph 11 above, the Committee recommended that the Executive Director re-appraise those functions carried out at headquarters which were financed from extrabudgetary resources, and identify those that might be redeployed to the field. The Committee was not convinced that the analysis presented in paragraphs 176-178 sufficed to support the large share of headquarters resources maintained in the budget in relation to UNDCP legislative mandates. The Committee believed that further efforts should be made to explain in the budget document the linkages between the planned activities of the programme, their costs and the mandates of UNDCP. The Committee, however, agreed with the view that the Commission might wish to consider resource and programmatic implications when the approval of new mandates was considered (E/CN.7/1995/21, para. 178).

26. The Committee noted from paragraphs 166 (a) and 180 of the report of the Executive Director that the proposal for the biennium 1996-1997 included for the first time a provision for audit services to be provided by the Office of Internal Oversight Services (OIOS) to the Fund of UNDCP in the amount of $300,000. The proposed amount would cover the cost of one P-4 post in the European Section of the Audit and Management Control Division, United Nations Office at Geneva, together with the related resources for travel, general operating expenses, supplies and material and equipment.

27. The Committee recalled that the authority, functions and reporting requirements of OIOS, as mandated by the General Assembly in its resolution 48/218 B of 29 July 1994, paragraphs 5 (c) and 5 (e), were "to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and the staff of the Organization", and to "submit to the Secretary-General reports that provide insight into the

effective utilization and management of resources and the protection of assets; the Secretary-General shall ensure that all such reports are made available to the General Assembly as presented by the Office, together with any separate comments the Secretary-General may deem appropriate".

28. In that connection, the Committee recommended that the Secretary-General clarify with OIOS the long-term internal audit arrangements, including responsibilities for determining the scope of the audit and audit priorities, as well as reporting procedures to be followed. Pending clarification of those issues, the Committee recommended that, for the biennium 1996-1997, the internal audit arrangements with OIOS be made, in the interim, on a reimbursable basis, stipulating a programme of work and a related reimbursement cost, rather than on the basis of financing of a dedicated post.

29. The Committee trusted that UNDCP activities covered under the regular budget of the United Nations would be audited by OIOS, and their cost financed from funds appropriated by the General Assembly under Section 29 of the regular budget of the United Nations for the biennium 1996-1997, as indicated in the proposed programme budget for the biennium 1996-1997.[5]

30. As indicated in paragraphs 36 and 51 of the report of the Executive Director, for the biennium 1996-1997, UNDCP expected to obtain programme support income amounting to $3,622,300, of which $3,330,600 would be spent during the biennium 1996-1997 (see table 2). The sources of support income in the biennium 1996-1997 would presumably be, as in the biennium 1994-1995, from support charges to the projects executed by UNDCP itself and in cooperation with UNOPS and UNIDO. However, estimates of project expenditure by executing agency were not provided for the biennium 1996-1997.

31. The Committee noted from table 2 that the unspent amount of $291,700 as of 31 December 1997 would be retained as a fund balance for programme support. Upon inquiry, the Committee was informed that an operating reserve of programme support costs was maintained in accordance with administrative instruction ST/AI/286 of 3 March 1982 on programme support accounts, whose level was "maintained at the level of 20 per cent of the estimated annual programme support income", and "held in a separate account at all times to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in the cases of abrupt terminations of activities financed from extrabudgetary resources". In the view of the Committee, the unspent resources from programme support income should revert to general resources of the Fund of UNDCP, and be available for programming in the ensuing biennium.

32. Currently, the Fund of UNDCP operated within the framework of the Financial Regulations and Rules of the United Nations. On that basis, the Committee noted, UNDCP managed its extrabudgetary resources in accordance with administrative instructions which had been issued to direct the operations of trust funds and programme support accounts. In that connection, the Committee was informed that the operating reserve of the Fund of UNDCP was maintained in accordance with the instructions contained in administrative instruction ST/AI/285 of 1 March 1982 on technical co-operation trust funds, and that as "in the case of multiple project trust funds, an operating cash reserve at the level of 15 per cent of the annual estimated expenditures will normally be maintained during the implementation of the trust fund activities to cover shortfalls and will be utilized to meet the final expenditures of the trust fund, including any liquidating liabilities".

33. The Committee recalled that the General Assembly, in paragraph 7 of its resolution 46/185 C, section XVI, had noted the "intention of the Secretary-General to promulgate financial rules for the Fund, in accordance with the Financial Regulations of the United Nations". Moreover, the Assembly had requested that in formulating such rules, the role and functions of the Commission on Narcotic Drugs be consistent with the authority granted to it by the Assembly in section XVI, paragraph 2, of the same resolution "to approve,

on the basis of the proposals of the Executive Director of the Programme, both the budget of the programme of the Fund and the administrative and programme support costs budget".

34. Given the magnitude of the extrabudgetary resources of UNDCP and the distinctive features of the programme of UNDCP, the Committee believed that the Secretary-General should review the current experience of the operations of the Fund of UNDCP, including the requirements for an operational reserve, and accordingly promulgate, as necessary, Financial Rules for the Fund of UNDCP in accordance with the Financial Regulations of the United Nations.

Notes

[1]See *Official Records of the General Assembly, Fiftieth Session, Supplement No. 6* (A/50/6/Rev.1), vol. I, sect. 14.

[2]Ibid., para. 14.2.

[3]Ibid., *Supplement No. 7* (A/50/7).

[4]Ibid., para. IV. 56.

[5]Ibid., *Supplement No. 6* (A/50/6/Rev.1), vol. II, sect. 29, para. 29.29.